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Internal Audit Services Branch

Audit of Automatic Enrolment for an Old Age Security Pension Phase 1A

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Executive Summary

Automatic enrolment for an Old Age Security (OAS) pension allows the Minister of Employment and Social Development Canada (ESDC) to waive the requirement for an OAS pension application if the Minister is satisfied that the person will meet the eligibility criteria for the pension at age 65.

The automatic enrolment of eligible individuals is one of the components of the OAS/Guaranteed Income Supplement (GIS) Service Improvement Strategy intended to improve service and introduce administrative efficiencies. The other aspects of this multi-year Strategy include the migration of OAS to the Canada Pension Plan (CPP) technology platform, business process re-engineering, enhanced eServices, as well as future phases of proactive enrolment including streamlined enrolment.

Phase 1A of the project automatically enrols seniors who, at age 64, have a current Canadian address, have participated in the CPP for 40 years or more, and who are in receipt of or are approved for payment of a CPP Retirement, Disability or Survivor pension[1].

Audit Objective

The objective of this audit was to assess the design and the operating effectiveness of Phase 1A of the automatic enrolment for an OAS pension as part of the OAS/GIS Service Improvement Strategy.

Summary of Key Findings

- The selection and notification of automatically enrolled seniors is well controlled. Controls were adequately designed and are operating as intended to only automatically enrol individuals that meet the eligibility criteria for an OAS pension.
- System changes introduced by automatic enrolment were relatively simple. As a result and because the testing timeframes were tight and available qualified resources were limited, a light testing approach was adopted. Although there were no repercussions on the quality of the software, the Department ought to adequately weigh the risks and rewards of operating under such aggressive timelines and should not assume that this success can be reliably replicated for other software solutions.
- Controls protecting the data integrity and confidentiality of auto-enrolled accounts have been adequately designed and are operating as intended, as prescribed by the Privacy Impact Assessment (PIA).

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[1] Annex A – Administrative Policy Framework, Automatic Enrolment for an Old Age Security Pension (Phase 1, Category 1 – Individuals in receipt of a CPP or Québec Pension Plan benefit)

- Interactions with seniors to update account information can occur over multiple channels (in-person, mail, call centre, processing centre). Guidance in the form of a Service Delivery Bulletin was provided to ensure consistency and accuracy across the network in May 2013. However, functional guidance and procedures were not finalized until July 2013.
- With limited baseline information on the costs for paper application processing, it will be difficult to demonstrate the planned productivity improvements and their associated savings. Furthermore, there is currently limited capacity to monitor the additional workload introduced by the implementation of automatic enrolment. Finally, the main metric used to monitor benefit realization is not fully aligned with the objective of the automatic enrolment project.

Audit Conclusion

The audit concluded that the control environment supporting Phase 1A of the automatic enrolment for an OAS pension has been adequately designed and is operating effectively. Some areas for improvement were noted and include performance monitoring and account maintenance.

Recommendation

The Assistant Deputy Minister (ADM) of Processing and Payment Services Branch (PPSB) should document specific and measurable benefits stemming from the implementation of automatic enrolment and capture sufficient and representative information to monitor their achievement.

1.0 Background

1.1 Context

The OAS program is comprised of a number of benefits for seniors, financed from the Government of Canada's general tax revenues. The OAS basic pension is a monthly benefit available to most Canadians 65 years of age or over, based on age, legal status and residence.

Automatic enrolment for the OAS pension allows the Minister of ESDC to waive the requirement for an OAS pension application if the Minister is satisfied that the person will meet the eligibility criteria for the pension at age 65.

Automatic enrolment will adopt a phased approach. Phase 1 will include individuals who, at age 64, have a current Canadian address, have participated in CPP or Québec Pension Plan (QPP) for 40 years or more, and who are in receipt of or are approved for payment of a CPP or QPP Retirement, Disability or Survivor pension[2].

The first part of Phase 1, Phase 1A (implemented in April 2013), used information that is already available within the Department to identify individuals for possible automatic enrolment (CPP database, including Canada Revenue Agency addresses, and the Social Insurance Register). The second part of Phase 1, Phase 1B (to be implemented in October 2013), will use information accessible through an information sharing agreement with the Régie des rentes du Québec (RRQ).

The auto enrolment of eligible individuals is one of the components of the OAS/GIS Service Improvement Strategy used to improve service and introduce administrative efficiencies. The other aspects of this multi-year Strategy include the migration of OAS to the CPP technology platform, business process re-engineering, enhanced eServices, as well as future phases of proactive enrolment including streamlined enrolment.
PPSB is the departmental lead responsible for implementing the Strategy, in coordination with the Income Security and Social Development Branch (ISSDB) and various other internal stakeholders.

A pre-implementation review of OAS/GIS Service Improvement Strategy, Phase 1 has been recently conducted by the Internal Audit Services Branch. The review concluded that governance, risk management and project management controls were in place to adequately support the implementation of the first phase of the OAS/GIS Service Improvement Strategy.

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[2] Annex A – Administrative Policy Framework, Automatic Enrolment for an Old Age Security Pension (Phase 1, Category 1 – Individuals in receipt of a CPP or QPP)

1.2 Audit Objective

The objective of this audit was to assess the design and the operating effectiveness of Phase 1A of the automatic enrolment for an OAS pension as part of the OAS/GIS Service Improvement Strategy.

1.3 Scope

The scope of this audit includes the design effectiveness and the operating effectiveness of the control framework for Category 1A beneficiaries that:

- Have a current Canadian address;
- Are 64 plus one month and have participated in the CPP for 40 years or more;
- Are in receipt of or are approved for payment of a CPP Retirement, Disability or Survivor pension.

The audit team reviewed the updated policies, procedures, processes and practices. Individuals included in Phase 1B (with RRQ data) were not included in the scope of this audit since automatic enrolment for these individuals has yet to be implemented. An audit of Phase 1B is included in the 2013–16 Risk-Based Audit Plan and is planned to start in January 2014.

1.4 Methodology

This audit used document reviews as well as key stakeholder interviews as evidence collecting methodologies. Representatives from PPSB, ISSDB, Innovation, Information and Technology Branch (IITB), Integrity Services Branch (ISB) and selected regions were interviewed in order to have a comprehensive view of the operational environment.

2.0 Audit Findings

2.1 Selection and protection of auto-enrolled accounts is controlled

In the past, when seniors wanted to receive an OAS pension, they had to manually complete an application and send it to the Department for processing. Every month, the Department advises 64 years old seniors with a Canadian address that they could soon be eligible for an OAS benefit through the presumptive application process.

With the implementation of the automatic enrolment for an OAS Pension, the Department can waive the requirement for an application if the Minister is satisfied that the person will meet the eligibility criteria for the pension at age 65. This eliminates the requirement for an application for many seniors.

Clients who are eligible for automatic enrolment would be notified in the year before they become eligible for an OAS pension while those that do not meet the automatic enrolment criteria will continue to receive the presumptive application.

Selection of automatically enrolled accounts

The selection and notification of automatically enrolled seniors is adequately controlled. Controls were well designed and are operating as intended to only automatically enrol individuals that meet the eligibility criteria for an OAS pension.

One of the controls to reduce the risk of erroneous selection for automatic enrolment is testing of the automated procedures. Once the software executing the automatic enrolment has been developed by IITB, it is usually tested in a number of different ways to verify that it conforms to expectations. Changes introduced by automatic enrolment were relatively simple. As a result and because testing timeframes were tight and available qualified resources were limited, a light testing approach was adopted. Although there were no repercussions on the quality of the software, the Department ought to adequately weigh the risks and rewards of operating under such aggressive timelines and should not assume that this success can be reliably replicated for other software solutions.

Protection of automatically enrolled accounts

As the implementation of automatic enrolment requires information to be sent between the OAS Legacy system and the Information Technology Renewal Delivery System, data integrity must be maintained so there are no discrepancies between the two systems. The volumes of personal information created by the automatic enrolment also require that confidentiality be maintained. The audit team has reviewed controls that protect the integrity and confidentiality of auto-enrolled accounts and concludes that they have been adequately designed and are operating as intended. These controls were also assessed as part of the PIA done prior to the start of the project.

2.2 Risks introduced by the automatic enrolment of individuals were assessed and mitigated

As part of the Submission to Treasury Board, PPSB, in collaboration with ISB, undertook an analysis to compare the accuracy of the automatic enrolment selection criteria against the actual experience of 152,902 beneficiaries meeting the Phase 1A characteristics (i.e. they had a current Canadian address, had participated in CPP for 40 years or more, and were in receipt of or are approved for payment of a CPP Retirement, Disability or Survivor pension). This analysis showed that the automatic enrolment selection criteria were 99.39 per cent accurate. Mitigation strategies were developed to address the outstanding 0.61 per cent.

2.3 Maintenance of auto-enrolled accounts is controlled

Once automatic enrolment letters have been sent, recipients have the legal obligation, if erroneous information was provided by the Department, to make the corrections on their letter and return it as soon as possible before their 65th birthday. In addition, seniors that do not wish to receive an OAS pension at this time (i.e. they wish to defer their pension) can notify the Department by returning the letter or through their My Service Canada Account (MSCA).

Because these interactions to update account information can occur over multiple channels (in-person, mail, call centre, processing centre), departmental guidance had to be provided to ensure consistency and accuracy across the network. Training material, functional guidance and procedures were provided to all channels and distributed to all regions (in the form of a Service Delivery Bulletin) but because of aggressive timelines, were not finalized until July 2013, four months after the first letters were sent to seniors. This led to situations where different channels were referring to reference tools providing different levels of information. Once functional guidance and procedures were approved, the situation was rectified and regions were pleased with the high quality of the documentation received.

As changes to the operating environment continue to affect the delivery and processing networks, PPSB ought to consider the potential impact of not providing officers the training material, functional guidance and procedures in a timely and coordinated manner.

2.4 Performance monitoring of the automatic enrolment processes can be strengthened

To monitor the accuracy of the new automatic enrolment processes, PPSB started, in June 2013, to track how many returned mail, information changes and declined benefits were processed. However, this information cannot be monitored by delivery channels and does not include non-transactional activity (e.g. request for information on automatic enrolment). With partial information on the additional workload introduced by the

implementation of automatic enrolment, it will be difficult to measure the overall impact of the changes on the delivery network.

In the Submission to Treasury Board for the OAS/GIS Service Improvement Strategy, a number of high level benefits are outlined for an upcoming ten year period. However, for automatic enrolment in particular (a component of the improvement strategy), expected benefits were not documented, specific or measurable. For example, the strategy is intended to "improve services to Canadians" but there are no specific or measurable targets supporting that objective (the impact of automatic enrolment on speed of service is, however, monitored).

One of the planned benefits is the promotion of the current online service offering. To achieve this outcome, Personal Access Codes (PAC) are sent to seniors when they are automatically enrolled. This code is required to create a new MSCA. The Department does not currently monitor how many of the PACs sent through the automatic enrolment process are used to create new accounts. Internal audit believes that this monitoring is required if the Department wants to be able to demonstrate the impact of automatic enrolment on the use of the current online service offering.

Another benefit is to reduce "costly paper processing" of OAS applications. The Department monitors the percentage of potential clients that have been automatically enrolled against its planned 37 per cent estimate. This percentage has become the main indicator for automatic enrolment success. However, for a number of reasons (e.g deferrals), a small percentage of seniors that were initially auto-enrolled will still have to file a paper application. Because automatic enrolment reduces "costly paper processing", the Department ought to define specific and measurable targets pertaining to that reduction in paper application processed rather than the number of automatic enrolment letters sent.

Recommendation

The ADM of PPSB should document specific and measurable benefits stemming from the implementation of automatic enrolment and capture sufficient and representative information to monitor their achievement.

Management Response

PPSB agrees with the recommendation and recognizes that the documentation of specific and measurable benefits is not finalized. Since the launch of Phase 1A of auto-enrolment, key elements have been monitored monthly, including the volumes of auto-enrolment letters sent, returned work items and impacts on speed of service and savings. This monthly monitoring has enabled PPSB to develop an early understanding of trends. These data will be supplemented with further reporting capability once auto-enrolled clients begin receipt of their benefits, thereby strengthening performance monitoring and allowing for more complete measures of benefits. A data collection and benefits realization

framework will be completed before the first phase of clients offered automatic enrolment receive their OAS benefit. This will include measurement of the ratio of clients offered an automatic enrolment process compared to those that are automatically enrolled. Estimated completion for these activities is March 2014.

3.0 Conclusion

The audit concluded that the control environment supporting Phase 1A of the automatic enrolment for an OAS pension has been adequately designed and is operating effectively. Some areas for improvement were noted and include performance monitoring and account maintenance.

4.0 Statement of Assurance

In our professional judgement, sufficient and appropriate audit procedures were performed and evidence gathered to support the accuracy of the conclusions reached and contained in this report. The conclusions were based on observations and analyses at the time of our audit. The conclusions are applicable only for the assessment of the automatic enrolment for an OAS pension, Phase 1A. The evidence was gathered in accordance with the *Internal Auditing Standards for the Government of Canada* and the *International Standards for the Professional Practice of Internal Auditing.*

Appendix A: Audit Criteria Assessment

Audit Criteria		Rating	
It is expected that the Department:		Control Design	Control Operating Effectiveness
designed and implemented controls to automatically enrol individuals that meet the eligibility criteria for an OAS pension.		●	●
designed and implemented controls to preserve data integrity and confidentiality throughout the automatic enrolment processes.		✪	✪
assessed and mitigated risks introduced by the automatic enrolment of individuals.		●	●
designed and implemented processes to record and act on requests received from automatically enrolled individuals (e.g. deferrals, cancellations, corrections or changes to date of birth, address, or residency).		●	●
captures information that allows for the monitoring of the accuracy and performance of key aspects of the automatic enrolment processes.	Accuracy monitoring	●	●
	Performance monitoring	◎	◎
monitors the accuracy and performance of key aspects of the automatic enrolment processes.	Accuracy monitoring	●	●
	Performance monitoring	◎	◎
takes corrective actions to resolve issues when required.	Accuracy monitoring	●	●
	Performance monitoring	N/A	N/A

✪ = Best practice
● = Sufficiently controlled, low risk exposure
◎ = Controlled, but should be strengthened, medium risk exposure
○ = Missing key controls, high risk exposure

Appendix B: Glossary

ADM	Assistant Deputy Minister
CPP	Canada Pension Plan
ESDC	Employment and Social Development Canada
GIS	Guaranteed Income Supplement
IITB	Innovation, Information and Technology Branch
ISB	Integrity Services Branch
ISSDB	Income Security and Social Development Branch
MSCA	My Service Canada Account
OAS	Old Age Security
PAC	Personal Access Code
PIA	Privacy Impact Assessment
PPSB	Processing and Payment Services Branch
QPP	Québec Pension Plan
RRQ	Régie des rentes du Québec